

**Regulations Governing the  
Local Housing Trust Fund Program  
Commencing with Sections  
7150, 7151, 7152, 7153, 7154, 7155,  
7156, 7157, 7158, 7159, and 7160**

**Responses to Comments Received During  
1<sup>st</sup> 15-day Comment Period**

Commenter: **San Luis Obispo County Housing Trust Fund (SLOHTF)**

SLOHTF #1(15-day): Thank you for your thoughtful and reasoned responses to the various comments to the proposed regulations.

Response: We thank SLOHTF for this comment.

SLOHTF #2(15-day): Thank you for addressing my concern regarding the pattern of ongoing resources by proposing an amendment to Section 7151(s). However, since most nonprofit housing trust funds receive both public and private funds, this new provision of Section 7151(s) should not be limited to nonpublic sources.

Response: HCD agrees with this comment and will make the change requested such that the definition of “Ongoing Revenues” in Section 7151(s) will read as follows:

(s) “Ongoing Revenues” means a public source of revenue that is dedicated for an indefinite period (beyond annual appropriations); or other revenue that is either: (i) dedicated for a minimum five-year period and the source of that revenue has an income history which can reasonably support the level of proposed funding; or (ii) in the case of an existing local housing trust fund, the fund has at least a five-year income history from all ~~nonpublic~~ sources which could reasonably support the level of proposed funding.

Commenter: **City of Oakland Housing & Community Development Division (OHCD)**

OHCD #1(15-day): The City of Oakland deposits five percent of its non-housing tax increment funds into the Low and Moderate Income Housing fund for affordable housing. Since these funds are not restricted for housing use by state or federal law as described in proposed regulation Section 7154(c), the City feels that these additional funds should be able to be used as “Ongoing Revenue.” OHCD recommends that the word “nonpublic” be deleted from the last sentence of the definition of “Ongoing Revenue” in Section 7151(s).

Response: This change will be made. See response to SLOHTF #1 above.

OHCD #2(15-day): Section 7157(b)(2) states that “the Grantee shall submit copies of all loan guidelines and underwriting standards and procedures for review by the Department.” The City suggests that grantees be able to submit a document, such as a Notice of Funding Availability (NOFA) guidelines (which describe underwriting standards), rather than a full set of loan documents for review and approval.

Response: The purpose of Section 7157(b)(2) is to ensure that grantees have in place reasonable loan guidelines and underwriting standards to ensure that state funds are utilized appropriately. It will be the grantee’s responsibility to provide adequate documentation to assure the Department that the grantee has such loan guidelines and underwriting standards in place. The adequate documentation may be copies of the guidelines and procedures, or may be other documents, such as a NOFA. Therefore, subsection (b)(2) will be modified to read as follows:

“(b) Where Program Funds are provided to a rental housing development, emergency shelter, safe haven or transitional housing:

(1) The Grantee and the housing developer borrower shall enter into a development loan agreement setting forth the terms and conditions for closing and disbursing the Program Funds which shall include, but not be limited to, requirements for title insurance for the deed of trust, and the borrower’s responsibilities and obligations with respect to hazardous substance detection, disclosure, and remediation.

(2) The Grantee shall submit documentation of its ~~copies of all~~ loan guidelines and underwriting standards and procedures for review by the Department.”

Commenter: **East Bay Housing Organizations (EBHO)**

EBHO #1(15-day): While deposits of the mandatory 20% setaside into an Agency’s Low and Moderate Income Fund are not eligible match, voluntary deposits in excess of any mandatory setaside should be counted as local matching funds.

Response: The proposed regulations will be amended to achieve this result. See response to SLOHTF #1 above.

EBHO #2(15-day): Regarding Section 7156(b)(2) Application Process, EBHO strongly urges that the program prioritize deeper income targeting where there is the greatest need. Therefore, prioritize 7156(b)(2)(C) (serving extremely low income persons and families) and 7156(b)(2)(D) (minimize funding for persons

and families exceeding 120% AMI), and remove 7156(b)(2)(A), since it would use the majority of funds to serve higher income constituents.

Response: As was discussed in the previous response to comments, the Legislature has made clear how it wants state LHTF moneys to be expended by:

- Requiring that at least 30 percent of funds be used to serve extremely low income families (Health & Safety Code Sec. 50843.5(d)(2));
- Requiring that not more than 20 percent of funds be used to serve moderate income families (Health & Safety Code Sec. 50843.5(d)(2)); and
- For Proposition 1C funds for existing trust funds, requiring a preference be given to trust funds that agree to expend more than 65 percent of state funds for downpayment assistance to first-time homebuyers (Health & Safety Code Sec. 53545.9(c)(1)).

The Department does not have the authority to delete the preference for downpayment assistance for first-time homebuyers. No change.

**Commenter: The City of Thousand Oaks (CTO) – These comments were received at the conclusion of the 45-day comment period and inadvertently were not responded to in the initial Responses to Comments.**

CTO #1(45-Day): As a new start up Housing Trust Fund it may be extremely difficult for the City to deposit the minimum \$1 million match. A lower minimum match of \$500,000 would be more reasonable.

Response: The requirement for a dollar-for-dollar match and the minimum award of \$1 million are set in statute (Health & Safety Code Sec. 50843.5(c)). The Department does not have the authority to change these requirements. No change.

CTO #2(45-day): Recommend that the preference of 65% for first-time homebuyer programs (proposed Sec. 7156(b)(2)(A)) be reduced to 20%.

Response: The 65% is set in statute (see response to EBHO #2 above). No change.